

**INDEPENDENT ACCOUNTANT'S REPORT
ON EFFECTIVENESS OF DISTRICT FINANCIAL SERVICES,
FORMERLY SCHOOL CLAIMS, PAYMENT AUDITING PROCESS**

**Office of
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December 19, 2007

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SUBJECT: INDEPENDENT ACCOUNTANT'S REPORT ON EFFECTIVENESS OF DISTRICT FINANCIAL SERVICES', FORMERLY SCHOOL CLAIMS, PAYMENT AUDITING PROCESS

We have performed the procedures enumerated below, which were agreed to by District Financial Services, formerly Schools Claims and herein referred to as such, and the Auditor/Controller, to improve the effectiveness of School Claims' Electronic Random Audit Process (Process) and to assist School Claims in evaluating the internal controls over the purchasing, receiving, and accounts payable functions of the school districts for the audit period February 1, 2005 to January 31, 2006. The internal controls are the responsibility of the school districts' management. This agreed-upon procedures engagement was conducted in accordance the International Standards for the Professional Practice of Internal Auditing. The procedures performed and conclusions reached as a result of these procedures are identified below.

BACKGROUND

In prior years the Internal Audits Section of the Auditor/Controller-Recorder's Office conducted individual audits of a judgmentally selected 15 of 40 school districts in accordance with procedures agreed upon by School Claims and the Auditor/Controller-Recorder. At each of the selected districts, transactions were judgmentally selected and tested, and findings and recommendations were reported to the district's management. This methodology could not be used to either evaluate an individual school district's internal control effectiveness or determine if School Claims' payment auditing process was operating effectively.

In 2006 a new audit strategy was developed to increase district coverage, decrease audit hours, and provide an opinion on the operating effectiveness of School Claims' payment auditing process. The focus was changed from individual districts to the entire School Claims' payment auditing process. A statistical sample of all commercial warrant transactions processed by School Claims was chosen, allowing each district a chance of being selected for internal control evaluation with each sample item selected. The

success rate in preventing and detecting erroneous payments can be determined through statistical evaluation of the sample to provide the basis for an overall opinion as to whether the Process is meeting its objectives.

ENGAGEMENT OBJECTIVES

- Test and evaluate a statistically selected sample of transactions to determine operating effectiveness of the Process.
- Review specific district-level internal controls to determine the degree of reliance that can be placed on the district's controls and the extent to which further auditing procedures are necessary.
- Provide a written report to School Claims with comments and recommendations regarding the effectiveness of the Process as well as the risk rating based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control framework assigned to each district.

SCOPE AND METHODOLOGY

Procedures performed were limited to the review of information and documentation relative to the engagement objectives mentioned above. The County Superintendent of Schools' Automated Business Support System, through the Electronic Random Audit Process, provides for examinations of commercial claims documents on a sample basis by School Claims. School Claims' auditing process is responsible for preventing and detecting unauthorized payments. Our audit procedures were conducted to determine the success rate through statistical evaluation of the sample and provide the basis for an overall opinion as to whether School Claims' Process is meeting its objectives. Our engagement objectives supplement the Electronic Random Audit Process by providing additional assurance that district internal controls are adequate and the audit process is operating effectively. To accomplish our audit objectives, we performed the following procedures:

Test of Internal Controls

- Received completed internal control surveys, resume summaries, organizational charts, and policies and procedures related to the purchasing, accounts payable, receiving, revolving cash fund functions of each district and assessed the controls based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control framework.
- Prepared a scorecard assessment for each district and submitted to School Claims with recommendations regarding the risk rating assigned to the district.

Test of Transactions

- Statistically selected 330 vendor payments to determine compliance with internal controls that are in place by the districts and the mitigating controls operating through School Claims' payment auditing process to determine the effectiveness

of the Process in preventing and detecting unauthorized or noncompliant payments.

RESULTS

As a result of our procedures, we have identified 80 instances of internal and management control weaknesses, which are detailed in the Schedule of Findings and Recommendations on pages 4 through 15 of our report. Thirty-nine of these instances were found in payments that had been through School Claims' payment auditing process, and forty-one of these instances were found in payments that had not been through the Process. These are discussed in the Analysis of Observations on pages 16 and 17 of our report. We have also identified risk ratings for each district, which are detailed in the Schedule of District COSO Scorecards on pages 18 through 57. These are discussed in the Analysis of Observations on pages 58 through 60 of our report.

School Claims has not established a minimum threshold to which they desire to operate according to, so the results cannot be compared to the threshold in this first year of audit using this methodology. However, based on our audit procedures, without going through School Claims' auditing process, 72.3% of payments are within School Claims and regulatory agency guidelines; payments going through School Claims' payment auditing process were found to be acceptable at a rate of 79.1%. It is our opinion that the Process is effective in preventing and detecting erroneous payments, but this rate is moderately effective and could be improved.

This report is intended solely for the information and use of the San Bernardino County Superintendent of Schools and the School Claims Division, and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,

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Auditor/Controller-Recorder

By:

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SCHEDULE OF FINDINGS AND RECOMMENDATIONS

As a result of our procedures, we identified twelve current findings. The current year's findings are located under the heading "Current Findings and Recommendations". As this is the first year this type of audit has been performed, there are no prior findings. The first seven findings have been identified as major internal control weaknesses that require immediate attention. The next three findings are weaknesses noted which will require improvements in the auditing process, but are not as urgent as the first seven. The final two findings indicate weaknesses noted for which improvement is recommended.

CURRENT FINDINGS AND RECOMMENDATIONS

A. The following findings indicate major internal control weakness in the auditing process and require immediate attention. The findings are significant in that they either expose an entire universe of payments to the weakness, or they relate to high-dollar transactions.

Finding 1: Payments were adjusted by districts to bypass the audit process.

School Claims' payment auditing process provides an internal control over payments by detecting and preventing unauthorized payments. Three transactions were noted in which payments were adjusted by districts to bypass School Claims' audit process. In testing transactions, there were two instances where the amount on the invoice was split into two smaller payments to bypass School Claims' audit selection process. There was one transaction noted where the school district made payment to a vendor name different from the vendor name on the invoice to bypass School Claims' audit selection process. The districts wanted to expedite payments by eliminating auditing time, and were aware of the attributes that would exclude a payment from being audited. When districts circumvent the audit process, it's effectiveness in detecting unauthorized payments is compromised, and unauthorized payments or fraud may be made by districts.

Recommendations

Ensure that districts are aware that the vendor and amount on the invoice must match the vendor and amount submitted for payment processing.

Department Response

We concur with this finding. It appears the district was attempting to bypass the audit process. District Financial Services (DFS) does provide audit manuals and training to district accounts payable personnel. The training includes instructions for payment processing, including the need to match the vendor and amount on both the invoice and the payment. This finding relates to payments that were not selected for audit nor examined by DFS.

Auditor's Response

School Claims' response did not address correcting this finding of individuals manipulating invoices to avoid internal controls, such as establishing additional controls of testing payments made to the same vendors on or about the same date.

Finding 2: Support for transactions could not be found at School Claims and at school districts.

Good internal controls require school districts and School Claims to have organized, standardized filing systems that give them the ability to support all payments made to vendors. There was one instance where a district could not locate any support for a payment. There were three instances where School Claims could not produce supporting documents for payments made. It could not be determined whether supporting documents were misplaced or were not obtained. Without documentation to support payments, inaccurate, unauthorized, or untimely payments may be made.

Recommendations

Keep originals, or certified originals, of all documentation received on file at School Claims and require that districts also retain support. Ensure that procedures require all documentation to be present, complete, and accurate before making payment and that these procedures are followed for all payments. Establish and enforce written policies and procedures regarding the filing and safeguarding of documentation.

Department Response

We concur that documentation could not be located at the time the audit was conducted. DFS audits and processes the financial transactions for forty (40) Local Educational Agencies (LEA's), keeping copies of all documentation received. Due to the volume of paperwork retained and related space constraints, DFS can only keep approximately two months of activity on file in the DFS office; the balance of the files are stored in the warehouse. When warrants are held on retention awaiting receipt of required documentation, there is a possibility that the additional documentation may not get incorporated into the original file, since the files must be stored away so quickly. To address this issue, DFS now attaches a copy of the warrant retention slip to the original batch documentation, alerting auditors that DFS did request the additional documentation and it exists elsewhere. In addition, DFS has begun to use a "file checkout" system in an effort to improve tracking of files.

Auditor's Response

School Claims' response addresses planned action as well as actions taken to correct the deficiencies noted in the finding.

Finding 3: Internal controls over signature authorization forms could be improved.

Following the proper steps of authorization and de-authorization is an essential internal control of the Accounts Payable process to ensure that unauthorized purchases are not made. School Claims receives forms from the districts to authorize and de-authorize signature authority and tracks authorizations in their Authorized Signature Listing (Listing). The Listing is then used in auditing payments for proper authorization. The following authorization forms were tested:

- Form 1-Authorization to sign Board minutes (including authorization forms)
- Form 2-Authorization to sign purchase orders
- Form 2C-Authorization for Electronic Signature Key (for payment release)
- Form 3-Authorization to sign contracts

The following conditions were noted:

- There were 7 forms that had been deleted, but not removed from School Claims' Listing.
- There were 49 forms that were on the Listing, but not found.
- There were 5 forms that were not authorized at all.
- There were 16 forms that were self-authorized.
- There were 7 forms on file that were not on the Listing.
- There were 6 forms authorized for limits differing from the Listing.
- There were 4 authorizations that were recorded on forms other than the form specified for that purpose.
- There were 2 instances where payments were made on a purchase order or contract signed by a district employee who was not authorized to sign. One of these payments was audited by School Claims.

School Claims' does not have written procedures for filing forms and updating the Listing. School Claims' policies for districts completing forms do not require an internal control of having another person authorize each form, when permitted by the size of the district. The Listing is not effective for payment auditing purposes. All payments audited and processed using the Listing are at risk of being unauthorized as persons signing purchase orders, signing contracts, and releasing payments may not have proper authorization on file as documented on the Listing.

Recommendations

Establish and enforce written policies and procedures regarding the filing, recording, and updating of all signature authorization forms and the corresponding Authorized Signature Listing. Include instructions in the policies indicating that if there are at least 2 persons authorized by Form 1, then no person should sign their own authorization forms. Also, specify the purpose of each form to be used in the policies. Audit purchase orders against the current,

updated Authorized Signature Listing to ensure that signatures are authorized. .
Return payments without this authorized signature to districts for an authorized agent to sign, or require that the proper forms be submitted.

Department Response

We concur that, at the time the audit was conducted, internal controls over signature authorization forms could be improved. DFS maintains 848 signature authorization forms, representing authorized signatories from all forty LEA's in this county. In the past, several DFS staff members collected and input information into the Authorized Signature Database (Listing). For quality assurance purposes, DFS now uses just one staff member who dedicates a portion of their time to maintaining the Listing. Since the ACR's audit, DFS has reconciled and updated the Authorized Signature Database. DFS has also combined the various signature authorization forms into one form for clarity and manageability. DFS will develop written internal procedures and disseminate them to DFS personnel. In addition, the forms and listing will be reconciled quarterly, at a minimum.

Auditor's Response

School Claims' response addresses planned action as well as actions taken to correct the deficiencies noted in the finding.

Finding 4: Public Works projects did not have the required documentation and authorization.

All supporting documents for public works projects are required to be viewed and audited by School Claims prior to making the first payment. The audit entails verifying that all documents required by School Claims, Public Contract Code, and Education Code have been received by School Claims and meet regulations, specifically the following:

- School Claims' requires that a Notice of Completion, filed with the County Recorder, or the district's governing board's "Acceptance of Completion" be sent to School Claims.
- Public Contract Codes 20111 and 20112 require the following documentation to support all bids:
 - Proof of publication (at least once a week for two weeks, minimum five days apart).
 - Schedule of bids received.
 - Board action accepting lowest responsible bid or the board action from the originating district when piggybacking. Piggybacking is the process of obtaining a contract without the district going out to bid, but using all bid materials from another district that has already gone through the bid process for a similar contract.
 - Copy of the bid.

- Education Code 17280-17295 requires approval from the Division of the State Architect (DSA) for "plans and specifications for the construction of a new building, or the reconstruction, alteration of, or addition to an existing school building estimated to cost more than \$25,000."

To streamline the public works auditing process, all public works projects are set up in a folder by School Claims prior to any payments being made. Each folder has an Initial Set-up Page ("Page") which requires the signature of School Claims' staff to verify that all required documents were reviewed before payment was made.

The following conditions were noted in the review of public works projects;

- There was one completed project for which a Notice of Completion or Board Acceptance of Completion could not be found at School Claims.
- There were three projects for which a schedule of bids received was not on file.
- There was one piggyback project for which there was no Board action from the originating district accepting the lowest responsible bid.
- There was one project for which the invitation to bid was only published on one date.
- There were three projects for which a DSA approval could not be found at School Claims.
- There were six instances where School Claims' staff did not sign the Page to verify that required documentation was received and reviewed.

Public works projects may be out of compliance with Public Contract and Education Codes without documentation to verify that the proper procedures have been followed. In addition, full payment may be released to vendors prior to the completion of work contracted, allowing the vendor to delay or cease work without losing payment. Since public works are generally high-dollar transactions and payments may be released without the required documentation in effect, each of these errors puts a large dollar amount at risk of being unauthorized.

Recommendations

Establish and enforce written policies and procedures for the review and set-up of public works files. Ensure that districts are aware of the requirements prior to beginning a public works project so that documentation can be submitted to School Claims timely and in its entirety. Do not process payments for projects that do not have a complete file including all contract and bid documentation, DSA approval (when applicable), Notice or Acceptance of Completion (when applicable). If the Page is not to be used as a verification of the complete file, remove the signature line stating "reviewed and checked by" and require that School Claims staff sign/initial and date the file someplace to verify that file has been reviewed and is complete.

Department Response

We concur with the finding related to missing documentation and/or authorization. (See response to Finding #2 regarding documentation and warrant retention.) In addition, there were times when situational exceptions were made and approved by San Bernardino County Counsel verbally. Current practice in DFS requires written approval from County Counsel, which will be included with the batch documentation.

However, we do not concur with the following condition noted by ACR: *"six instances where DFS staff did not sign the Page to verify that required documentation was received and reviewed."* When DFS created the checklist page, it was for the purposes of providing a receipt to the districts that requested one. It was never the intent of DFS to use the form for all public works payments as suggested by the ACR; the checklist is only required for payments related to the Fast Track program. Notwithstanding the original intent of the checklist, on July 1, 2007, DFS will commence using labels to identify when and by whom the file was reviewed.

Finally, DFS has already established and does enforce written policies and procedures for the review, set-up, and documentation of public works projects. DFS disseminates this information to districts via the Public Works Audit Manual and individualized training specific to public works construction projects. This training is mandatory for districts participating in the Fast Track payment program.

Auditor's Response

School Claims' response addresses planned action as well as actions taken to correct the deficiencies noted in the finding.

Finding 5: Invoices could not be compared to purchase orders or contracts.

School Claims' audit manual requires that each invoice be audited to ensure agreement to the purchase order or contract. Purchase orders and contracts provide a control over purchases by documenting authorization for, terms and conditions of and identification of purchases, including the description, quantity, unit, unit price, hours, rate of labor, and sales tax. The following conditions were noted in our testing:

- There was one invoice for which a purchase order or contract was not found at School Claims and one invoice for which a contract was not found at a district.
- There was one invoice processed by School Claims in which the amount and school name differed from the contract.
- There was one invoice processed by School Claims in which the date and amount differed from the contract.

- There were three invoices audited by School Claims that were not itemized, and therefore could not be compared to their respective purchase orders or contracts.

If invoices cannot be compared to the authorized purchase order or contract in place, items and amounts that were not authorized or ordered may be processed and paid and funds may be overspent. Also, failure to document terms and conditions of purchases agreed upon with vendors may release vendors from accountability.

Recommendations

Ensure that purchase orders or contracts are present for all applicable expenditures and that there is documentation of proper authorization and purchases can easily be identified. Do not process payment on an invoice that cannot be compared to its respective purchase order or contract and verified as an allowable expense.

Department Response

We concur that these invoices could not be compared to purchase orders or contracts. DFS does typically ensure that purchase orders or contracts are present for all applicable expenditures and that proper documentation exists for each purchase.

Auditor's Response

School Claims' response does not include the deficiency of invoices not being compared to their respective purchase order or contract and verifying the expense as allowable. Their response does not address correcting this finding or how they plan to prevent this finding from re-occurring in the future.

Finding 6: Invoice was not available to support payment.

School Claims' audit manual requires the submission of an invoice to document the actual charge for goods or services ordered. There was one payment for which an invoice could not be produced. If invoices cannot be verified before payment is made, inaccurate, unauthorized, or improper payments may be made.

Recommendations

Do not process payments for which an invoice cannot be produced. Increase invoice auditing and ensure that all districts are aware of the requirement of invoice submittal for any payment processing.

Department Response

We do not concur with this finding. This payment was a reissuance of a lost warrant, thus DFS accepts a copy of a completed affidavit in lieu of an invoice.

Auditor's Response

Although this payment was a reissuance, when original source documents were requested by the auditor to support the payment amount, the invoice couldn't be produced.

Finding 7: Payments were made without adequate receiving documentation.

School Claims' audit manual requires that a complete warrant package is present including receiving documentation of "any signature indicating receipt of goods and date received." This is also the only indication of invoice approval required by School Claims. There were eleven instances where payment was made without supporting documentation to provide clear evidence that the goods or services were received and invoices were approved. Of these eleven instances, two had been through School Claims' audit process. Without proper receiving documentation with signatures, School Claims is at risk of paying for goods and services that have not been received or accepted by the districts.

Recommendations

Require all payments to include the proper receiving documentation with a signature of at least the first initial and full last name of the signer, initials okay for centralized receiving, as well as the date the goods were received. Verify this documentation prior to processing payment. Ensure that districts are aware of the requirements in documenting receipt of goods and services and invoice approval.

Department Response

We concur that the receiving documentation could not be located at the time of audit. (See response to Finding #2 regarding documentation and warrant retention.) DFS does typically ensure that proper documentation exists for each purchase. Districts are well-aware of the requirement to document receipt of goods and invoice approval.

Auditor's Response

School Claims' response does not address correcting this finding or how they plan to prevent this finding from re-occurring in the future.

B. The following findings indicate control weaknesses in the auditing process and require improvements in the process, but are not as urgent as the first seven. The findings relate to breakdowns in the process over multiple transactions.

Finding 8: Change order elements were not present.

School Claims' audit manual requires that all change orders for increases in excess of 10% of the original purchase order be signed by an authorized agent of the district. Change orders for public works also require:

- District, project, and contractor's name.
- Change order number and date.
- Description of change(s) being made.
- The monetary change(s) amount (increase/decrease).
- Total of previous change orders and revised contract amount.
- Signature of district architect, contractor and district representative.
- DSA approval or a statement from the architect that there are "no structural changes."

There were three change orders found at School Claims and one change order found at a district with the following change order elements missing:

- Two change orders did not have DSA approval or architect statement of "no structural changes."
- Two change orders did not have the signature of an authorized district representative.

Public works projects may not be in or have documentation of being in compliance with the Division of the State Architect. Funds may be overspent if amounts greater than those authorized are paid. Unauthorized expenditures made on authorized purchase orders or contracts may not be detected if changes from original amounts are not reviewed and approved.

Recommendations

Do not process any payment for which a properly authorized purchase or change order, when applicable, for payment is not documented. Ensure that changes to public works projects are in compliance with the applicable codes and governing bodies, and do not process payment until this compliance is documented.

Department Response

We concur that the change order elements could not be located at the time of audit. (See response to Finding #2 regarding documentation/warrant retention and Finding #4 regarding County Counsel exceptions.) In addition, determining whether or not changes are structural is subjective; the DFS audit clerk may not have concluded that certain change orders were structural in nature.

Auditor's Response

School Claims' response does not address correcting this finding or how they plan to prevent this finding from re-occurring in the future.

Finding 9: Payments were made without an original or certified copy of an original invoice.

School Claims' audit manual requires the submission of an original invoice or certification as original on a copied invoice with a district personnel's signature. There were nine instances where invoices were photocopies or faxes and did not have any certification of original. There were two invoices where photocopies or faxes had been stamped as original, but there was no district personnel signature to certify them. Of these eleven, three had been through the School Claims' audit process. If original or certified copies of original invoices are not obtained prior to payment, unauthorized expenditures or duplicate copies of invoices could be submitted for payment.

Recommendations

Increase invoice auditing to ensure that an original invoice is obtained prior to processing payment. If a copy is submitted, ensure that the copy is certified as an original invoice with a signature of district personnel. If a copy is not certified, request a certified copy prior to processing payment. Ensure that districts are aware of the requirements in certifying an invoice as original.

Department Response

We concur that only uncertified copies of invoices were located at the time of audit. (See response to Finding #2 regarding documentation and warrant retention.) DFS does typically ensure that proper documentation exists for each purchase. Districts are well-aware of the requirement to certify copies of invoices.

Auditor's Response

School Claims' response does not address correcting this finding or how they plan to prevent this finding from re-occurring in the future.

Finding 10: Remaining balances were not indicated on open purchase orders.

School Claims' audit manual requires that "if payment is partial, a record of previous payment must be included." This includes maintaining a list of payments and remaining balances made on open purchase orders. There were fifteen payments processed on open purchase orders that did not indicate previous payments or remaining balances. Of these fifteen, three had been through the School Claims' audit process. Without documentation of previous payments and remaining balances, it is not possible to verify that the district has verified the budget and availability of funds on that purchase order.

Recommendations

Increase purchase order auditing on open purchase orders to require all previous payments and remaining balances to be indicated on all open purchase orders. Do not process payment until this information has been verified and documented by the District.

Department Response

We concur that remaining balances were not noted on these open purchase orders. (See response to Finding #2 regarding documentation and warrant retention.) DFS does typically ensure that proper documentation exists for each purchase, including declining balances on open purchase orders.

Auditor's Response

School Claims' response does not address correcting this finding or how they plan to prevent this finding from re-occurring in the future.

C. The following findings indicate instances noted for which improvement is recommended. The findings relate to internal School Claims processes which are not required, but would improve the effectiveness of the overall process.

Finding 11: Invoice did not compare to School Claims' prelist.

When payments are submitted to School Claims with an Electronic Signature Key, a printout is produced showing the vendor, amount, and account to be charged for each payment submitted. This is School Claims' prelist; it is signed by School Claims' staff and kept with each batch as an authorized payment record. School Claims' audit manual requires that each invoice received be audited to agree with School Claims' prelist in amount and vendor name. There was one transaction processed for which no vendor name was listed on the prelist. School Claims' authorized payment records may be incomplete or inaccurate if this information is not verified for each payment.

Recommendations

Require that all documents submitted for payment agree with the information that is received on the School Claims prelist. Reject any batches that do not agree and request that the district re-submit the payment with the correct information.

Department Response

We concur with this finding. The one transaction processed without a vendor name appears to be an oversight on the part of DFS. DFS does typically ensure that proper documentation exists for each purchase.

Auditor's Response

School Claims' response does not address correcting this finding or how they plan to prevent this finding from re-occurring in the future.

Finding 12: Inaccurate documents were processed.

An internal control over the accuracy of payments made is achieved by reviewing and verifying the existence, completeness and agreement of all payment documents. There were three transactions for which the district submitted to School Claims inaccurate legal escrow payment documents. Included in the documents supporting the payment was an affidavit signed by the district representative stating that the property was being acquired for use as a residence and that the sale price did not exceed \$300,000, although the contract and invoice showed that the property was being purchased for use as a school site and the escrow payment was \$3.6 million dollars. These documents were processed and paid by School Claims. Since all required documentation was complete and in agreement, and the affidavit was optional documentation, the affidavit was not reviewed by School Claims. Although the affidavit was determined to be inaccurate, it should have been questioned by School Claims when they reviewed all supporting documentation submitted by the District to process the payment, which included the affidavit. However, the inaccurate legal documents processed to the vendor may put the district at risk of incurring an additional liability to the vendor or regulatory agencies.

Recommendations

Ensure that districts are aware that they must verify the existence, completeness and agreement of all payment documents, including those that are not a part of the required documentation.

Department Response

We do not concur with this finding. DFS staff does audit all required documentation. To impose an additional requirement of auditing all extraneous documents would be impractical; DFS staff has neither the time (nor the expertise, in some cases) to determine the sufficiency or accuracy of certain legal and/or contractual documents peripherally-related to a specific financial transaction. In the future, DFS will return any extraneous paperwork to the corresponding school district.

Auditor's Response

School Claims should examine all supporting documents provided by the Districts to support a payment and should question any obvious differences.

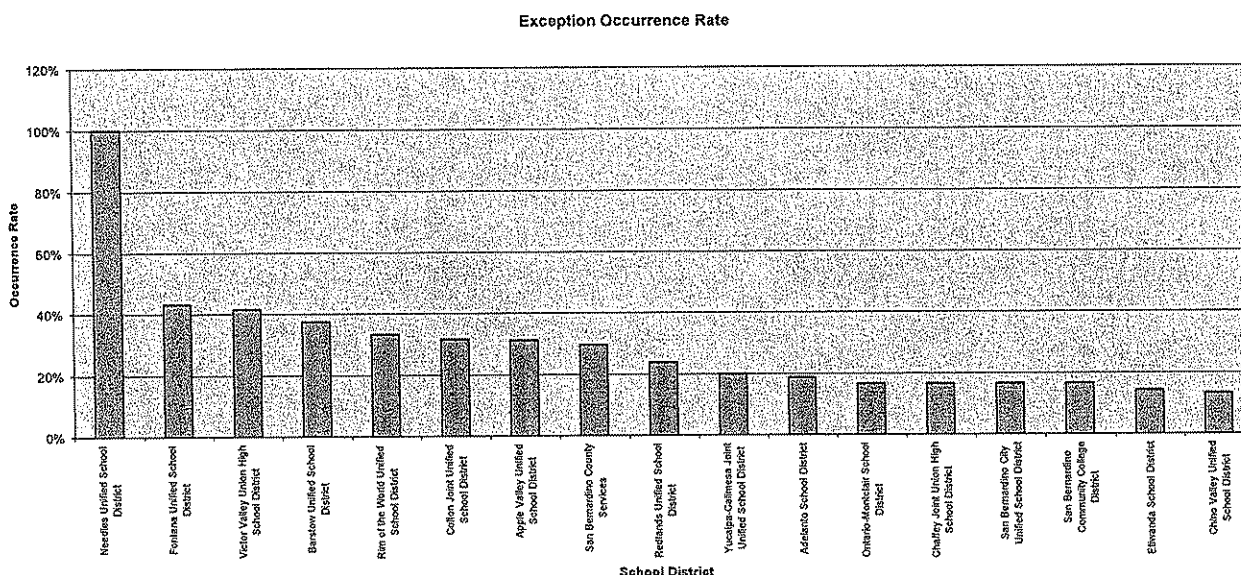
ANALYSIS OF OBSERVATIONS

Based upon the statistical evaluation of the sample of transactions tested, with a 95% confidence level, there is an effective failure rate of 17.6% (or the number of transactions that failed on one or more attributes tested) and an overall failure rate of 20.9% (total attributes failed) in payments going through School Claims' auditing process. With a 95% confidence level, there is an effective failure rate of 23.0% and an overall failure rate of 27.7% in payments that are not selected by School Claims' auditing process. Therefore, without going through School Claims' auditing process, 72.3% of payments are within School Claims and regulatory agency guidelines, and after going through the auditing process 79.1% of payments are within School Claims and regulatory agency guidelines.

District exceptions were distributed across districts; exception occurrence rates were calculated per district, not including any exceptions that were caused by School Claims, as follows (those districts with exceptions are compared in chart below):

SCHOOL DISTRICT	# Exceptions (due to district)	# Tested	% Exception Occurrence Rate
Needles Unified School District	1	1	100%
Fontana Unified School District	16	37	43%
Victor Valley Union High School District	5	12	42%
Barstow Unified School District	3	8	38%
Rim of the World Unified School District	1	3	33%
Colton Joint Unified School District	6	19	32%
Apple Valley Unified School District	5	16	31%
San Bernardino County Services	8	27	30%
Redlands Unified School District	5	21	24%
Yucaipa-Calimesa Joint Unified SD	1	5	20%
Adelanto School District	3	16	19%
Ontario-Montclair School District	2	12	17%
Chaffey Joint Union High School District	5	30	17%
San Bernardino City Unified School District	5	30	17%
San Bernardino Community College District	1	6	17%
Etiwanda School District	1	7	14%
Chino Valley Unified School District	2	15	13%
Mountain View School District	0	3	0%
Baldy View ROP	0	2	0%
Hesperia Unified School District	0	12	0%
Alta Loma School District	0	3	0%
Baker Valley Unified School District	0	0	0%
Barstow Community College District	0	2	0%
Bear Valley Unified School District	0	0	0%
Central School District	0	1	0%
Colton-Redlands-Yucaipa ROP	0	0	0%
Copper Mountain Community College District	0	1	0%
Cucamonga School District	0	1	0%
Helendale School District	0	1	0%
Lucerne Valley Unified School District	0	0	0%
Morongo Unified School District	0	2	0%
Mt. Baldy Joint School District	0	0	0%
Oro Grande School District	0	0	0%

Rialto Unified School District	0	14	0%
Silver Valley Unified School District	0	4	0%
Snowline Joint Unified School District	0	3	0%
Trona Joint Unified School District	0	1	0%
Upland Unified School District	0	2	0%
Victor Elementary School District	0	6	0%
Victor Valley Community College District	0	7	0%
	70	330	



A majority of the exceptions appear to be systematic across all districts or specific to School Claims. Three exceptions appeared to be district-specific:

1. Payments were adjusted to bypass the audit process by Fontana Unified School District.
2. Invoice was missing for child care payments by County Services.
3. Invoices were not itemized by Fontana Unified School District.

These findings are discussed in detail in the Schedule of Current Findings and Recommendations.

There does not appear to be a specific payment type that a majority of exceptions were found in. The document most susceptible to failure of the audit process is the invoice. It is recommended that School Claims especially scrutinize invoices across all districts, making this document a priority as it is the primary support for most payments. Specific exceptions regarding invoices are discussed in the Schedule of Current Findings and Recommendations.

FROM: Rachel Castillo
 Internal Auditor II
DATE: 06/08/2006
TO: Melissa Anderson
 Chief, School Claims
DISTRICT: Adelanto School District

Legend
 X Applies
 H High Risk
 M Medium Risk
 L Low Risk

<u>A. COSO INTERNAL CONTROL QUESTIONNAIRE</u>				
400 Points Possible				
1 Control Environment	H	M	L	
2 Risk Assessment				
3 Control Activities				
4 Information and Communication				
5 Monitoring				

Scoring:
 POINTS WEIGHT TOTAL
 89% 120 107
 100% 60 60
 100% 80 80
 88% 80 70
 100% 60 60
 377

B. RESUME SUMMARY				
200 Points Possible				
	0-99	100-169	170-200	
	H	M	L	
		X		
TOTAL EVALUATION				
				165
C. ORGANIZATIONAL CHART				
200 Points Possible				
	0-99	100-169	170-200	
	H	M	L	
			X	
TOTAL EVALUATION				
				190
D. POLICIES				
100 Points Possible				
	0-49	50-84	85-100	
	H	M	L	
			X	
TOTAL EVALUATION				
				88
E. PROCEDURES				
100 Points Possible				
	0-49	50-84	85-100	
	H	M	L	
		X		
TOTAL EVALUATION				
				80
1000 POINTS POSSIBLE TOTAL				
				900

F. TEST TRANSACTIONS
 16 Transactions Tested
 Exceptions noted (3):
 Transactions (3)
 Affidavit incorrectly signed (3)
 Contracts
 None
 ADJUSTMENTS FOR EXCEPTIONS:
 19% occurrence rate
 -38
 862
 LOW

FROM: Rachel Castillo
 Internal Auditor II

TO: Melissa Anderson
 Chief, School Claims

DATE: 06/08/2006

DISTRICT: Alta Loma School District

Legend

X	Applies
H	High Risk
M	Medium Risk
L	Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE					Scoring:	
400 Points Possible					POINTS	TOTAL
1 Control Environment	H	M	L	X	82%	120
2 Risk Assessment	X				0%	60
3 Control Activities		X			67%	80
4 Information and Communication		X			64%	80
5 Monitoring			X		87%	60
						256

B.	<u>RESUME SUMMARY</u> 200 Points Possible	0-99 H	100-169 M	170-200 L	<input type="checkbox"/>	Points:	180	
TOTAL EVALUATION								
C.	<u>ORGANIZATIONAL CHART</u> 200 Points Possible	0-99 H	100-169 M	170-200 L	<input type="checkbox"/>	Points:	178	
TOTAL EVALUATION								
D.	<u>POLICIES</u> 100 Points Possible	0-49 H	50-84 M	85-100 L	<input type="checkbox"/>	Points:	75	
TOTAL EVALUATION								
E.	<u>PROCEDURES</u> 100 Points Possible	0-49 H	50-84 M	85-100 L	<input type="checkbox"/>	Points:	95	
TOTAL EVALUATION								
1000 POINTS POSSIBLE TOTAL								784

F. TEST TRANSACTIONS

3 Transactions Tested

Exceptions noted (0):

Transactions: None

Contracts: None

ADJUSTMENTS FOR EXCEPTIONS:

0% occurrence rate

0

784

MEDIUM

SBCO-Superintendent of Schools
School Claims
February 1, 2005 through January 31, 2006
COSO Scorecard

Legend
X Applies
H High Risk
M Medium Risk
L Low Risk

DATE: 06/08/2006

FROM: Rachel Castillo
Internal Auditor II

DISTRICT: Apple Valley Unified School District

TO: Melissa Anderson
Chief, School Claims

A. COSO INTERNAL CONTROL QUESTIONNAIRE		Scoring:		
		POINTS	WEIGHT	TOTAL
400 Points Possible		100%	120	120
1 Control Environment	H M L	100%	60	60
2 Risk Assessment		100%	80	80
3 Control Activities		100%	80	80
4 Information and Communication		100%	60	60
5 Monitoring		100%	60	60
				400

B. RESUME SUMMARY	0-99	100-169	170-200	
200 Points Possible	H	M	L	
TOTAL EVALUATION				
				Points: 170
C. ORGANIZATIONAL CHART	0-99	100-169	170-200	
200 Points Possible	H	M	L	
TOTAL EVALUATION				
				Points: 110
D. POLICIES	0-49	50-84	85-100	
100 Points Possible	H	M	L	
TOTAL EVALUATION				
				Points: 88
E. PROCEDURES	0-49	50-84	85-100	
100 Points Possible	H	M	L	
TOTAL EVALUATION				
				Points: 92
1000 POINTS POSSIBLE TOTAL				860
				SCORE

F. TEST TRANSACTIONS	ADJUSTMENTS FOR EXCEPTIONS:	
16 Transactions Tested	31% occurrence rate	
Exceptions noted (7):		
Transactions (5)		
No remaining balance on open Purchase Order (3)		
No receiving document		
Change Order not signed		
Contracts (2)		
School Claims transmittal not signed by School		
Claims (2)		
Not an exception on the part of the district, not counted in calculating district occurrence rate or score		
		MEDIUM

FROM: Rachel Castillo
 Internal Auditor II

TO: Melissa Anderson
 Chief, School Claims

DATE: 06/08/2006

DISTRICT: Baker Valley Unified School District

Legend

X	Applies
H	High Risk
M	Medium Risk
L	Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE

	400 Points Possible				
	H	M	L		
1 Control Environment		X			75% 120 89
2 Risk Assessment			X		93% 60 56
3 Control Activities		X			65% 80 52
4 Information and Communication		X			57% 80 45
5 Monitoring	X				37% 60 22
					265

Scoring: POINTS WEIGHT TOTAL

B. RESUME SUMMARY
 200 Points Possible

	0-99	100-169	170-200
	H	M	L
TOTAL EVALUATION			X

Points: 190

C. ORGANIZATIONAL CHART
 200 Points Possible

	0-99	100-169	170-200
	H	M	L
TOTAL EVALUATION	X		

Points: 0

D. POLICIES
 100 Points Possible

	0-49	50-84	85-100
	H	M	L
TOTAL EVALUATION	X		

Points: 0

E. PROCEDURES
 100 Points Possible

	0-49	50-84	85-100
	H	M	L
TOTAL EVALUATION	X		

Points: 30

1000 POINTS POSSIBLE TOTAL

SCORE

485

F. TEST TRANSACTIONS
 0 Transactions Tested

ADJUSTMENTS FOR EXCEPTIONS:
 0% occurrence rate

0
 485

HIGH

FROM: Rachel Castillo
 Internal Auditor II

TO: Melissa Anderson
 Chief, School Claims

DATE: 06/08/2006

DISTRICT: Baldy View ROP

Legend

X Applies
 H High Risk
 M Medium Risk
 L Low Risk

<u>A. COSO INTERNAL CONTROL QUESTIONNAIRE</u> 400 Points Possible					Scoring:		
	H	M	L		POINTS	WEIGHT	TOTAL
1 Control Environment			X		100%	120	120
2 Risk Assessment	X				0%	60	0
3 Control Activities			X		87%	80	70
4 Information and Communication		X			76%	80	61
5 Monitoring		X			83%	60	50
							301

B. RESUME SUMMARY 200 Points Possible	0-99 H	100-169 M	170-200 L		Points:	185
TOTAL EVALUATION						

C. ORGANIZATIONAL CHART 200 Points Possible	0-99 H	100-169 M	170-200 L		Points:	80
TOTAL EVALUATION						

D. POLICIES 100 Points Possible	0-49 H	50-84 M	85-100 L		Points:	84
TOTAL EVALUATION						

E. PROCEDURES 100 Points Possible	0-49 H	50-84 M	85-100 L		Points:	97
TOTAL EVALUATION						

1000 POINTS POSSIBLE TOTAL						747
SCORE						

F. TEST TRANSACTIONS 2 Transactions Tested Exceptions noted (0):	ADJUSTMENTS FOR EXCEPTIONS:		0
Transactions (0)	0% occurrence rate		747
Contracts			MEDIUM
Invoice not approved			
None			

FROM: Rachel Castillo
 Internal Auditor II
 DATE: 06/08/2006
 TO: Melissa Anderson
 Chief, School Claims
 DISTRICT: Barstow Community College

Legend
 X Applies
 H High Risk
 M Medium Risk
 L Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE 400 Points Possible					Scoring:		
	H	M	L		POINTS	WEIGHT	TOTAL
1 Control Environment			X		100%	120	120
2 Risk Assessment	X				40%	60	24
3 Control Activities			X		100%	80	80
4 Information and Communication		X			83%	80	66
5 Monitoring	X				49%	60	29
							320

B. RESUME SUMMARY 200 Points Possible	0-99 H	100-169 M	170-200 L		Points:	172
C. ORGANIZATIONAL CHART 200 Points Possible	0-99 H	100-169 M	170-200 L	X	Points:	180
D. POLICIES 100 Points Possible	0-49 H	50-84 M	85-100 L	X	Points:	95
E. PROCEDURES 100 Points Possible	0-49 H	50-84 M	85-100 L	X	Points:	95
1000 POINTS POSSIBLE TOTAL						862
SCORE						

F. TEST TRANSACTIONS
 2 Transactions Tested
 Exceptions noted (0):
 Transactions None
 Contracts None

ADJUSTMENTS FOR EXCEPTIONS:
 0% occurrence rate

0
 862
 LOW

FROM: Rachel Castillo
 Internal Auditor II

DATE: 06/08/2006

TO: Melissa Anderson
 Chief, School Claims

DISTRICT: Barstow Unified School District

Legend
 X Applies
 H High Risk
 M Medium Risk
 L Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE

400 Points Possible

- 1 Control Environment
- 2 Risk Assessment
- 3 Control Activities
- 4 Information and Communication
- 5 Monitoring

Scoring: POINTS	WEIGHT	TOTAL
100%	120	120
100%	60	60
100%	80	80
100%	80	80
87%	60	52
		392

H	M	L
		X
		X
		X
		X
		X

B.

RESUME SUMMARY
 200 Points Possible

0-99 H	100-169 M	170-200 L
X		

TOTAL EVALUATION

Points: 85

C.

ORGANIZATIONAL CHART
 200 Points Possible

0-99 H	100-169 M	170-200 L
		X

TOTAL EVALUATION

Points: 185

D.

POLICIES
 100 Points Possible

0-49 H	50-84 M	85-100 L
		X

TOTAL EVALUATION

Points: 95

E.

PROCEDURES
 100 Points Possible

0-49 H	50-84 M	85-100 L
		X

TOTAL EVALUATION

Points: 95

1000 POINTS POSSIBLE TOTAL

SCORE

852

F.

TEST TRANSACTIONS
 8 Transactions Tested
 Exceptions noted (3):

Transactions (3)
 Vendor on invoice does not agree to prelist (No vendor on prelist)
 No receiving documentation (2)

Contracts

None

ADJUSTMENTS FOR EXCEPTIONS:
 38% occurrence rate

-75
 777

MEDIUM

FROM: Rachel Castillo
 Internal Auditor II

TO: Melissa Anderson
 Chief, School Claims

DATE: 06/08/2006

DISTRICT: Bear Valley Unified School District

Legend

X	Applies
H	High Risk
M	Medium Risk
L	Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE	Scoring:			TOTAL
	POINTS	WEIGHT		
400 Points Possible				
1 Control Environment	100%	120		120
2 Risk Assessment	100%	60		60
3 Control Activities	100%	80		80
4 Information and Communication	88%	80		70
5 Monitoring	87%	60		52
				383

B. RESUME SUMMARY	0-99	100-169	170-200		
200 Points Possible	H	M	L		
			X		195
					Points:
C. ORGANIZATIONAL CHART	0-99	100-169	170-200		
200 Points Possible	H	M	L		
	X				90
					Points:
D. POLICIES	0-49	50-84	85-100		
100 Points Possible	H	M	L		
			X		88
					Points:
E. PROCEDURES	0-49	50-84	85-100		
100 Points Possible	H	M	L		
		X			65
					Points:
1000 POINTS POSSIBLE TOTAL					821

F. TEST TRANSACTIONS

0 Transactions Tested

ADJUSTMENTS FOR EXCEPTIONS:

0% occurrence rate

0

821

MEDIUM

Legend
 X Applies
 H High Risk
 M Medium Risk
 L Low Risk

DATE: 06/08/2006

DISTRICT: Central School District

FROM: Rachel Castillo
 Internal Auditor II
TO: Melissa Anderson
 Chief, School Claims

Scoring:

POINTS	WEIGHT	TOTAL
82%	120	98
0%	60	0
100%	80	80
48%	80	38
77%	60	46

A. COSO INTERNAL CONTROL QUESTIONNAIRE

400 Points Possible

- 1 Control Environment
- 2 Risk Assessment
- 3 Control Activities
- 4 Information and Communication
- 5 Monitoring

H	M	L
	X	
X		
		X
X		
	X	

263

B. RESUME SUMMARY

200 Points Possible

0-99	100-169	170-200
H	M	L
	X	

TOTAL EVALUATION

Points: 120

C. ORGANIZATIONAL CHART

200 Points Possible

0-99	100-169	170-200
H	M	L
		X

TOTAL EVALUATION

Points: 185

D. POLICIES

100 Points Possible

0-49	50-84	85-100
H	M	L
X		

TOTAL EVALUATION

Points: 0

E. PROCEDURES

100 Points Possible

0-49	50-84	85-100
H	M	L
X		

TOTAL EVALUATION

Points: 0

1000 POINTS POSSIBLE TOTAL

SCORE

568

ADJUSTMENTS FOR EXCEPTIONS:

0% occurrence rate

0

568

MEDIUM

F. TEST TRANSACTIONS

1 Transaction Tested
 Exceptions noted (0):

Transactions
 None
Contracts
 None

FROM: Rachel Castillo
 Internal Auditor II

TO: Melissa Anderson
 Chief, School Claims

DATE: 06/08/2006

DISTRICT: Chaffey Joint Union High School District

Legend

X Applies
 H High Risk
 M Medium Risk
 L Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE

POINTS	WEIGHT	TOTAL
82%	120	98
7%	60	4
100%	80	80
76%	80	61
87%	60	52

295

B. RESUME SUMMARY
 200 Points Possible

0-99	100-169	170-200
H	M	L
		X

TOTAL EVALUATION

Points: 195

C. ORGANIZATIONAL CHART
 200 Points Possible

0-99	100-169	170-200
H	M	L
		X

TOTAL EVALUATION

Points: 190

D. POLICIES
 100 Points Possible

0-49	50-84	85-100
H	M	L
	X	

TOTAL EVALUATION

Points: 60

E. PROCEDURES
 100 Points Possible

0-49	50-84	85-100
H	M	L
X		

TOTAL EVALUATION

Points: 25

1000 POINTS POSSIBLE TOTAL

SCORE

765

F. TEST TRANSACTIONS
 30 Transactions Tested
 Exceptions noted (5):

Transactions (4)
 invoice not original (2)
 Purchase Order not authorized
 No remaining balance on open Purchase Order
 Contracts (1)
 Only one Proof of Publication

ADJUSTMENTS FOR EXCEPTIONS:

17% occurrence rate

-40

MEDIUM

725

FROM: Rachel Castillo
 Internal Auditor II
DATE: 06/08/2006
TO: Melissa Anderson
 Chief, School Claims
DISTRICT: Chino Valley Unified School District

Legend
 X Applies
 H High Risk
 M Medium Risk
 L Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE

	H	M	L	POINTS	WEIGHT	TOTAL
400 Points Possible						
1 Control Environment			X	100%	120	120
2 Risk Assessment		X		67%	60	40
3 Control Activities			X	91%	80	73
4 Information and Communication		X		76%	80	61
5 Monitoring		X		71%	60	42

336

B. RESUME SUMMARY

	0-99 H	100-169 M	170-200 L	POINTS
200 Points Possible		X		160

TOTAL EVALUATION

C. ORGANIZATIONAL CHART

	0-99 H	100-169 M	170-200 L	POINTS
200 Points Possible			X	170

TOTAL EVALUATION

D. POLICIES

	0-49 H	50-84 M	85-100 L	POINTS
100 Points Possible			X	88

TOTAL EVALUATION

E. PROCEDURES

	0-49 H	50-84 M	85-100 L	POINTS
100 Points Possible		X		55

TOTAL EVALUATION

1000 POINTS POSSIBLE TOTAL

SCORE

809

F. TEST TRANSACTIONS

	13% occurrence rate
15 Transactions Tested	-30
Exceptions noted (4):	779

Transactions (4)

Purchase Order/Contract not available

No receiving documentation

Supporting documents could not be found at School

Claims (2)

Contracts

None

ADJUSTMENTS FOR EXCEPTIONS:

13% occurrence rate

MEDIUM

Not an exception on the part of the district, not counted in calculating district occurrence rate or score

FROM: Rachel Castillo
 Internal Auditor II

TO: Melissa Anderson
 Chief, School Claims

DATE: 06/08/2006

DISTRICT: Colton Joint Unified School District

Legend

X Applies
 H High Risk
 M Medium Risk
 L Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE
 400 Points Possible

- 1 Control Environment
- 2 Risk Assessment
- 3 Control Activities
- 4 Information and Communication
- 5 Monitoring

	H	M	L
1		X	
2	X		
3			X
4		X	
5		X	

Scoring:	POINTS	WEIGHT	TOTAL
67%	120		81
33%	60		20
100%	80		80
69%	80		55
69%	60		42

277

B. RESUME SUMMARY
 200 Points Possible

	0-99 H	100-169 M	170-200 L
TOTAL EVALUATION			X

Points: 170

C. ORGANIZATIONAL CHART
 200 Points Possible

	0-99 H	100-169 M	170-200 L
TOTAL EVALUATION			X

Points: 180

D. POLICIES
 100 Points Possible

	0-49 H	50-84 M	85-100 L
TOTAL EVALUATION	X		

Points: 0

E. PROCEDURES
 100 Points Possible

	0-49 H	50-84 M	85-100 L
TOTAL EVALUATION	X		

Points: 49

1000 POINTS POSSIBLE TOTAL

SCORE

676

F. TEST TRANSACTIONS

19 Transactions Tested
 Exceptions noted (7):

- Transactions (4)
- No remaining balance on open Purchase Order (2)
 - No receiving documentation
 - Documents could not be found at School Claims

- Contracts (3)
- No schedule of Bids received
 - No board action accepting lowest responsible bidder
 - School Claims Transmittal not signed by School

Not an exception on the part of the district, not counted in calculating district occurrence rate or score

Not an exception on the part of the district, not counted in calculating district occurrence rate or score

ADJUSTMENTS FOR EXCEPTIONS:
 26% occurrence rate

-55
 621

MEDIUM

FROM: Rachel Castillo
Internal Auditor II

TO: Melissa Anderson
Chief, School Claims

DATE: 06/08/2006

DISTRICT: Colton-Redlands-Yucaipa ROP

Legend

X	Applies
H	High Risk
M	Medium Risk
L	Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE		Scoring:		
		POINTS	WEIGHT	TOTAL
400 Points Possible				
1 Control Environment	H M L	100%	120	120
2 Risk Assessment		100%	60	60
3 Control Activities		100%	80	80
4 Information and Communication		87%	80	70
5 Monitoring		87%	60	52
				382

B. RESUME SUMMARY	TOTAL EVALUATION			Points:	100
200 Points Possible	0-99 H	100-169 M	170-200 L		
		X			
C. ORGANIZATIONAL CHART	TOTAL EVALUATION			Points:	165
200 Points Possible	0-99 H	100-169 M	170-200 L		
		X			
D. POLICIES	TOTAL EVALUATION			Points:	90
100 Points Possible	0-49 H	50-84 M	85-100 L		
			X		
E. PROCEDURES	TOTAL EVALUATION			Points:	72
100 Points Possible	0-49 H	50-84 M	85-100 L		
		X			
1000 POINTS POSSIBLE TOTAL					809
				SCORE	

F. TEST TRANSACTIONS

0 Transactions Tested

ADJUSTMENTS FOR EXCEPTIONS:

0% occurrence rate

MEDIUM

Legend

X Applies
 H High Risk
 M Medium Risk
 L Low Risk

FROM: Rachel Castillo
 Internal Auditor II
DATE: 06/08/2006
TO: Melissa Anderson
 Chief, School Claims
DISTRICT: Copper Mountain Community College

<u>A. COSO INTERNAL CONTROL QUESTIONNAIRE</u> 400 Points Possible		Scoring:	
		POINTS	WEIGHT TOTAL
1 Control Environment	H M L	82%	120 98
2 Risk Assessment	X	47%	60 28
3 Control Activities	X	82%	80 65
4 Information and Communication	X	41%	80 33
5 Monitoring	X	76%	60 46

271

B. RESUME SUMMARY 200 Points Possible	0-99 H 100-169 M 170-200 L	Points: 170
C. ORGANIZATIONAL CHART 200 Points Possible	0-99 H 100-169 M 170-200 L	Points: 169
D. POLICIES 100 Points Possible	0-49 H 50-84 M 85-100 L	Points: 85
E. PROCEDURES 100 Points Possible	0-49 H 50-84 M 85-100 L	Points: 0
1000 POINTS POSSIBLE TOTAL		695

SCORE

ADJUSTMENTS FOR EXCEPTIONS:

0% occurrence rate
 0
 695

MEDIUM

F. TEST TRANSACTIONS
 1 Transaction Tested
 Exceptions noted (0):

Transactions
 None
 Contracts
 None

Legend

X Applies
H High Risk
M Medium Risk
L Low Risk

DATE: 06/08/2006

DISTRICT: Cucamonga School District

FROM: Rachel Castillo
Internal Auditor II
TO: Melissa Anderson
Chief, School Claims

A. COSO INTERNAL CONTROL QUESTIONNAIRE 400 Points Possible		Scoring:	
		POINTS	WEIGHT TOTAL
1 Control Environment	H M L	89%	120 107
2 Risk Assessment		100%	60 60
3 Control Activities		100%	80 80
4 Information and Communication		100%	80 80
5 Monitoring		100%	60 60
		387	

B. RESUME SUMMARY 200 Points Possible	0-99 H 100-169 M 170-200 L	Points: 169
TOTAL EVALUATION		
C. ORGANIZATIONAL CHART 200 Points Possible	0-99 H 100-169 M 170-200 L	Points: 169
TOTAL EVALUATION		
D. POLICIES 100 Points Possible	0-49 H 50-84 M 85-100 L	Points: 84
TOTAL EVALUATION		
E. PROCEDURES 100 Points Possible	0-49 H 50-84 M 85-100 L	Points: 84
TOTAL EVALUATION		
1000 POINTS POSSIBLE TOTAL		
SCORE		
893		

F. TEST TRANSACTIONS 1 Transaction Tested Exceptions noted (0):	0% occurrence rate
Transactions	0
Contracts	893
LOW	

Legend
 X Applies
 H High Risk
 M Medium Risk
 L Low Risk

FROM: Rachel Castillo
 Internal Auditor II
DATE: 06/08/2006
TO: Melissa Anderson
 Chief, School Claims
DISTRICT: Etiwanda School District

A. COSO INTERNAL CONTROL QUESTIONNAIRE				
400 Points Possible				
1 Control Environment	H	M	L	
2 Risk Assessment				X
3 Control Activities				X
4 Information and Communication				X
5 Monitoring				X
Scoring:				TOTAL
POINTS	WEIGHT			
89%	120			107
100%	60			60
100%	80			80
100%	80			80
100%	60			60
				387

B. RESUME SUMMARY				
200 Points Possible				
TOTAL EVALUATION				
0-99	100-169	170-200		
H	M	L		
			X	
				Points: 180
C. ORGANIZATIONAL CHART				
200 Points Possible				
TOTAL EVALUATION				
0-99	100-169	170-200		
H	M	L		
			X	
				Points: 170
D. POLICIES				
100 Points Possible				
TOTAL EVALUATION				
0-49	50-84	85-100		
H	M	L		
			X	
				Points: 90
E. PROCEDURES				
100 Points Possible				
TOTAL EVALUATION				
0-49	50-84	85-100		
H	M	L		
			X	
				Points: 90
1000 POINTS POSSIBLE TOTAL				917
				SCORE

F. TEST TRANSACTIONS	
7 Transactions Tested	
Exceptions noted (1):	
Transactions (1)	Invoice not itemized, cannot compare to contract
Contracts (0)	
ADJUSTMENTS FOR EXCEPTIONS:	
14% occurrence rate	
-30	
887	
LOW	

FROM: Rachel Castillo
Internal Auditor II

TO: Melissa Anderson
Chief, School Claims

DATE: 06/08/2006

DISTRICT: Fontana Unified School District

Legend

X Applies
H High Risk
M Medium Risk
L Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE

400 Points Possible

- 1 Control Environment
- 2 Risk Assessment
- 3 Control Activities
- 4 Information and Communication
- 5 Monitoring

Scoring: POINTS	WEIGHT	TOTAL
89%	120	107
60%	60	36
91%	80	73
88%	80	70
73%	60	44

330

B. RESUME SUMMARY

200 Points Possible

0-99	100-169	170-200
H	M	L
		X

TOTAL EVALUATION

Points: 180

C. ORGANIZATIONAL CHART

200 Points Possible

0-99	100-169	170-200
H	M	L
X		

TOTAL EVALUATION

Points: 0

D. POLICIES

100 Points Possible

0-49	50-84	85-100
H	M	L
X		

TOTAL EVALUATION

Points: 0

E. PROCEDURES

100 Points Possible

0-49	50-84	85-100
H	M	L
X		

TOTAL EVALUATION

Points: 0

1000 POINTS POSSIBLE TOTAL

SCORE

510

F. TEST TRANSACTIONS

37 Transactions Tested
Exceptions noted (19):

Transactions (11)

- Invoice not itemized (2)
- No remaining balance on Open Purchase Order (4)
- Invoice does not compare to contract
- No receiving documentation (2)
- District split payment to avoid audit (2)

Contracts (8)

- No schedule of Bids received (2)
- No DSA approval (3)
- No notice of completion/Board acceptance present
- School Claims transmittal not signed by School Claims (2)

ADJUSTMENTS FOR EXCEPTIONS:

46% occurrence rate

-95

415

HIGH

Not an exception on the part of the district, not counted in calculating district occurrence rate or score

FROM: Rachel Castillo
 Internal Auditor II

TO: Melissa Anderson
 Chief, School Claims

DATE: 06/08/2006

DISTRICT: Helendale School District

Legend

X Applies
 H High Risk
 M Medium Risk
 L Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE 400 Points Possible					Scoring:		
	H	M	L		POINTS	WEIGHT	TOTAL
1 Control Environment		X			56%	120	68
2 Risk Assessment	X				0%	60	0
3 Control Activities		X			58%	80	47
4 Information and Communication	X				29%	80	23
5 Monitoring		X			72%	60	43
							180

B. RESUME SUMMARY 200 Points Possible					Points:		
	0-99 H	100-169 M	170-200 L				190
C. ORGANIZATIONAL CHART 200 Points Possible					Points:		
	0-99 H	100-169 M	170-200 L				190
D. POLICIES 100 Points Possible					Points:		
	0-49 H	50-84 M	85-100 L				90
E. PROCEDURES 100 Points Possible					Points:		
	0-49 H	50-84 M	85-100 L				85
1000 POINTS POSSIBLE TOTAL							735

SCORE

F. TEST TRANSACTIONS
 1 Transaction Tested
 Exceptions noted (0):

Transactions
 None

Contracts
 None

ADJUSTMENTS FOR EXCEPTIONS:
 0% occurrence rate

MEDIUM

FROM: Rachel Castillo
 Internal Auditor II

TO: Melissa Anderson
 Chief, School Claims

DATE: 05/08/2006

DISTRICT: Hesperia School District

Legend

X	Applies
H	High Risk
M	Medium Risk
L	Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE 400 Points Possible	Scoring:			
	POINTS	WEIGHT	TOTAL	
1 Control Environment	100%	120	120	
2 Risk Assessment	0%	60	0	
3 Control Activities	87%	80	70	
4 Information and Communication	66%	80	53	
5 Monitoring	76%	60	45	
				288

B. RESUME SUMMARY 200 Points Possible	0-99 H	100-169 M	170-200 L		Points: 170
TOTAL EVALUATION					
C. ORGANIZATIONAL CHART 200 Points Possible	0-99 H	100-169 M	170-200 L		Points: 180
TOTAL EVALUATION					
D. POLICIES 100 Points Possible	0-49 H	50-84 M	85-100 L		Points: 85
TOTAL EVALUATION					
E. PROCEDURES 100 Points Possible	0-49 H	50-84 M	85-100 L		Points: 85
TOTAL EVALUATION					
1000 POINTS POSSIBLE TOTAL					808

F. TEST TRANSACTIONS
 12 Transactions Tested
 Exceptions noted (0):

Transactions (0)
 None

Contracts
 None

ADJUSTMENTS FOR EXCEPTIONS:
 0% occurrence rate

0
 808

MEDIUM

FROM: Rachel Castillo
 Internal Auditor II

TO: Melissa Anderson
 Chief, School Claims

DATE: 06/08/2006

DISTRICT: Lucerne Valley Unified School District

Legend

X Applies
 H High Risk
 M Medium Risk
 L Low Risk

<u>COSO INTERNAL CONTROL QUESTIONNAIRE</u>							
400 Points Possible							
	H	M	L		POINTS	WEIGHT	TOTAL
1 Control Environment		X			65%	120	79
2 Risk Assessment	X				0%	60	0
3 Control Activities		X			73%	80	58
4 Information and Communication	X				0%	80	0
5 Monitoring			X		86%	60	52

188

FROM: Rachel Castillo
 Internal Auditor II

TO: Melissa Anderson
 Chief, School Claims

DATE: 06/08/2006

DISTRICT: Morongo Unified School District

Legend

X	Applies
H	High Risk
M	Medium Risk
L	Low Risk

Scoring:

POINTS	WEIGHT	TOTAL
100%	120	120
100%	60	60
100%	80	80
100%	80	80
100%	60	60
		400

A. COSO INTERNAL CONTROL QUESTIONNAIRE

400 Points Possible

- 1 Control Environment
- 2 Risk Assessment
- 3 Control Activities
- 4 Information and Communication
- 5 Monitoring

H	M	L
		X
		X
		X
		X
		X

B. RESUME SUMMARY

200 Points Possible

0-99	100-169	170-200
H	M	L
		X

TOTAL EVALUATION

Points: 180

C. ORGANIZATIONAL CHART

200 Points Possible

0-99	100-169	170-200
H	M	L
		X

TOTAL EVALUATION

Points: 190

D. POLICIES

100 Points Possible

0-49	50-84	85-100
H	M	L
	X	

TOTAL EVALUATION

Points: 84

E. PROCEDURES

100 Points Possible

0-49	50-84	85-100
H	M	L
X		

TOTAL EVALUATION

Points: 5

1000 POINTS POSSIBLE TOTAL

SCORE

859

F. TEST TRANSACTIONS

2 Transactions Tested
 Exceptions noted (0):

Transactions
 None
 Contracts
 None

ADJUSTMENTS FOR EXCEPTIONS:

0% occurrence rate

0

859

LOW

FROM: Rachel Castillo
 Internal Auditor II

TO: Melissa Anderson
 Chief, School Claims

DATE: 06/08/2006

DISTRICT: Mountain View School District

Legend

X	Applies
H	High Risk
M	Medium Risk
L	Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE

400 Points Possible	H	M	L	POINTS	WEIGHT	TOTAL
1 Control Environment	X			0%	120	0
2 Risk Assessment	X			0%	60	0
3 Control Activities	X			0%	80	0
4 Information and Communication	X			0%	80	0
5 Monitoring	X			0%	60	0

0

B. RESUME SUMMARY

200 Points Possible	0-99 H	100-169 M	170-200 L	TOTAL EVALUATION	POINTS
	X				0

C. ORGANIZATIONAL CHART

200 Points Possible	0-99 H	100-169 M	170-200 L	TOTAL EVALUATION	POINTS
	X				0

D. POLICIES

100 Points Possible	0-49 H	50-84 M	85-100 L	TOTAL EVALUATION	POINTS
	X				0

E. PROCEDURES

100 Points Possible	0-49 H	50-84 M	85-100 L	TOTAL EVALUATION	POINTS
	X				0

1000 POINTS POSSIBLE TOTAL

SCORE

F. TEST TRANSACTIONS

3 Transactions Tested
 Exceptions noted (0):

Transactions (0)

None

Contracts

None

ADJUSTMENTS FOR EXCEPTIONS:
 0% occurrence rate

0

0

HIGH

SBCO-Superintendent of Schools
School Claims
February 1, 2005 through January
COSO Scorecard

FROM: Rachel Castillo
Internal Auditor II

TO: Melissa Anderson
Chief, School Claims

	Applies
X	High Risk
H	Medium Risk
M	Low Risk
L	

COSO INTERNAL CONTROL QUESTIONNAIRE			
400 Points Possible			
1	Control Environment	H	M L
2	Risk Assessment	X	
3	Control Activities		X
4	Information and Communication		X
5	Monitoring		X

B. <u>RESUME SUMMARY</u> 200 Points Possible		Points:		75
0-99 H	100-169 M	170-200 L		
TOTAL EVALUATION			X	
C. <u>ORGANIZATIONAL CHART</u> 200 Points Possible		Points:		20
0-99 H	100-169 M	170-200 L		
TOTAL EVALUATION			X	
D. <u>POLICIES</u> 100 Points Possible		Points:		50
0-49 H	50-84 M	85-100 L		
TOTAL EVALUATION			X	
E. <u>PROCEDURES</u> 100 Points Possible		Points:		50
0-49 H	50-84 M	85-100 L		
TOTAL EVALUATION			X	
1000 POINTS POSSIBLE TOTAL				472

F. <u>TEST TRANSACTIONS</u>		ADJUSTMENTS FOR EXCEPTIONS:	
0 Transactions Tested		0% occurrence rate	
			0
			472
			HIGH

SBCO-Superintendent of Schools
 School Claims
 February 1, 2005 through January 31, 2006
 COSO Scorecard

FROM: Rachel Castillo
 Internal Auditor II

TO: Melissa Anderson
 Chief, School Claims

DATE: 06/08/2006

DISTRICT: Needles Unified School District

Legend

X	Applies
H	High Risk
M	Medium Risk
L	Low Risk

POINTS	WEIGHT	TOTAL
100%	120	120
0%	60	0
100%	80	80
100%	80	80
73%	60	44

324

A. COSO INTERNAL CONTROL QUESTIONNAIRE

400 Points Possible	H	M	L
1 Control Environment			X
2 Risk Assessment	X		
3 Control Activities			X
4 Information and Communication			X
5 Monitoring		X	

B. RESUME SUMMARY

200 Points Possible	0-99	100-169	170-200
	H	M	L
TOTAL EVALUATION	X		

Points: 90

C. ORGANIZATIONAL CHART

200 Points Possible	0-99	100-169	170-200
	H	M	L
TOTAL EVALUATION	X		

Points: 50

D. POLICIES

100 Points Possible	0-49	50-84	85-100
	H	M	L
TOTAL EVALUATION	X		

Points: 49

E. PROCEDURES

100 Points Possible	0-49	50-84	85-100
	H	M	L
TOTAL EVALUATION	X		

Points: 49

1000 POINTS POSSIBLE TOTAL

SCORE

562

F. TEST TRANSACTIONS

1 Transaction Tested
 Exceptions noted (*):

Transactions
 Contracts (1)
 None
 No contract for one invoice

ADJUSTMENTS FOR EXCEPTIONS:

100% occurrence rate

-100

462

HIGH

FROM: Rachel Castillo
 Internal Auditor II
 DATE: 06/08/2006

TO: Melissa Anderson
 Chief, School Claims
 DISTRICT: Ontario-Montclair School District

Legend
 X Applies
 H High Risk
 M Medium Risk
 L Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE		Scoring:			
400 Points Possible		POINTS	WEIGHT	TOTAL	
1 Control Environment	H M L	82%	120	98	
2 Risk Assessment		100%	60	60	
3 Control Activities		100%	80	80	
4 Information and Communication		68%	80	54	
5 Monitoring		73%	60	44	

337

B. RESUME SUMMARY 200 Points Possible	0-99 H 100-169 M 170-200 L	Points: 175
C. ORGANIZATIONAL CHART 200 Points Possible	0-99 H 100-169 M 170-200 L	Points: 175
D. POLICIES 100 Points Possible	0-49 H 50-84 M 85-100 L	Points: 50
E. PROCEDURES 100 Points Possible	0-49 H 50-84 M 85-100 L	Points: 10
1000 POINTS POSSIBLE TOTAL		747

F. TEST TRANSACTIONS
 12 Transactions Tested
 Exceptions noted (2):
 Transactions (2)
 No remaining balance on open Purchase Order
 District made payment to different vendor name to avoid audit
 Contracts
 None

ADJUSTMENTS FOR EXCEPTIONS:
 16% occurrence rate

35
 712

MEDIUM

SBCO-Superintendent of Schools
 School Claims
 February 1, 2005 through January 31, 2006
 COSO Scorecard

FROM: Rachel Castillo
 Internal Auditor II

TO: Melissa Anderson
 Chief, School Claims

DATE: 06/08/2006

DISTRICT: Oro Grande School District

Legend

X Applies
 H High Risk
 M Medium Risk
 L Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE

POINTS	WEIGHT	TOTAL
82%	120	98
0%	60	0
73%	80	58
58%	80	46
87%	60	52

255

B. RESUME SUMMARY
 200 Points Possible

0-99	100-169	170-200
H	M	L
X		

TOTAL EVALUATION

Points: 50

C. ORGANIZATIONAL CHART
 200 Points Possible

0-99	100-169	170-200
H	M	L
X		

TOTAL EVALUATION

Points: 20

D. POLICIES
 100 Points Possible

0-49	50-84	85-100
H	M	L
X		

TOTAL EVALUATION

Points: 20

E. PROCEDURES
 100 Points Possible

0-49	50-84	85-100
H	M	L
X		

TOTAL EVALUATION

Points: 20

1000 POINTS POSSIBLE TOTAL

SCORE

365

F. TEST TRANSACTIONS
 0 Transactions Tested

ADJUSTMENTS FOR EXCEPTIONS:
 0% occurrence rate

0
 365

HIGH

FROM: Rachel Castillo
 Internal Auditor II
DATE: 06/08/2006
TO: Melissa Anderson
 Chief, School Claims
DISTRICT: Redlands Unified School District

Legend
 X Applies
 H High Risk
 M Medium Risk
 L Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE					Scoring:		
400 Points Possible					POINTS	WEIGHT	TOTAL
1 Control Environment	H	M	L		100%	120	120
2 Risk Assessment				X	100%	60	60
3 Control Activities				X	91%	80	73
4 Information and Communication				X	92%	80	74
5 Monitoring				X	100%	60	60
					386		

B. RESUME SUMMARY 200 Points Possible	0-99 H	100-169 M	170-200 L		Points:	190
C. ORGANIZATIONAL CHART 200 Points Possible	0-99 H	100-169 M	170-200 L	X	Points:	185
D. POLICIES 100 Points Possible	0-49 H	50-84 M	85-100 L	X	Points:	90
E. PROCEDURES 100 Points Possible	0-49 H	50-84 M	85-100 L	X	Points:	90
1000 POINTS POSSIBLE TOTAL						941

SCORE

F. TEST TRANSACTIONS 21 Transactions Tested Exceptions noted (7):	ADJUSTMENTS FOR EXCEPTIONS:	
Transactions (4) Original or certified copy of invoice not present No receiving documentation (3)	29% occurrence rate	
Contracts (3) No DSA approval on Change Order (2) School Claims transmittal not signed by School Claims	-60	
	881	

LOW

Not an exception on the part of the district, not counted in calculating district occurrence rate or score

DATE: 06/08/2006

FROM: Rachel Castillo
 Internal Auditor II

TO: Melissa Anderson
 Chief, School Claims

DISTRICT: Rialto Unified School District

Legend
 X Applies
 H High Risk
 M Medium Risk
 L Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE

400 Points Possible

1 Control Environment

2 Risk Assessment

3 Control Activities

4 Information and Communication

5 Monitoring

Scoring: POINTS	WEIGHT	TOTAL
89%	120	107
100%	60	60
91%	80	73
100%	80	80
100%	60	60

380

B. RESUME SUMMARY

200 Points Possible

0-99	100-169	170-200
H	M	L
	X	

TOTAL EVALUATION

Points: 160

C. ORGANIZATIONAL CHART

200 Points Possible

0-99	100-169	170-200
H	M	L
		X

TOTAL EVALUATION

Points: 180

D. POLICIES

100 Points Possible

0-49	50-84	85-100
H	M	L
		X

TOTAL EVALUATION

Points: 100

E. PROCEDURES

100 Points Possible

0-49	50-84	85-100
H	M	L
		X

TOTAL EVALUATION

Points: 85

1000 POINTS POSSIBLE TOTAL

SCORE

905

F. TEST TRANSACTIONS

14 Transactions Tested
 Exceptions noted (0):

Transactions

None

Contracts

None

ADJUSTMENTS FOR EXCEPTIONS:

0% occurrence rate

0

905

LOW

FROM: Rachel Castillo
Internal Auditor II

DATE: 06/08/2006

TO: Melissa Anderson
Chief, School Claims

DISTRICT: Rim of the World Unified School District

Legend

X Applies
H High Risk
M Medium Risk
L Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE

400 Points Possible

	H	M	L	POINTS	WEIGHT	TOTAL
1 Control Environment			X	100%	120	120
2 Risk Assessment			X	100%	60	60
3 Control Activities			X	87%	80	70
4 Information and Communication			X	97%	80	78
5 Monitoring			X	87%	60	52

380

B. RESUME SUMMARY

200 Points Possible

	0-99 H	100-169 M	170-200 L	POINTS
TOTAL EVALUATION		X		100

C. ORGANIZATIONAL CHART

200 Points Possible

	0-99 H	100-169 M	170-200 L	POINTS
TOTAL EVALUATION			X	170

D. POLICIES

100 Points Possible

	0-49 H	50-84 M	85-100 L	POINTS
TOTAL EVALUATION		X		84

E. PROCEDURES

100 Points Possible

	0-49 H	50-84 M	85-100 L	POINTS
TOTAL EVALUATION		X		84

1000 POINTS POSSIBLE TOTAL

SCORE

818

F. TEST TRANSACTIONS

3 Transactions Tested
Exceptions noted (0):

Transactions (0)

None

Contracts

None

ADJUSTMENTS FOR EXCEPTIONS:

0% occurrence rate

0

MEDIUM

818

SBCO-Superintendent of Schools
 School Claims
 February 1, 2005 through January 31, 2006
 COSO Scorecard

FROM: Rachel Castillo
 Internal Auditor II

DATE: 06/08/2006

TO: Melissa Anderson
 Chief, School Claims

DISTRICT: San Bernardino City Unified School District

Legend
 X Applies
 H High Risk
 M Medium Risk
 L Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE

400 Points Possible

- 1 Control Environment
- 2 Risk Assessment
- 3 Control Activities
- 4 Information and Communication
- 5 Monitoring

Scoring: POINTS	WEIGHT	TOTAL
100%	120	120
87%	60	52
100%	80	80
75%	80	60
100%	60	60

372

B. RESUME SUMMARY
 200 Points Possible

0-99 H	100-169 M	170-200 L
	X	

TOTAL EVALUATION

Points: 130

C. ORGANIZATIONAL CHART
 200 Points Possible

0-99 H	100-169 M	170-200 L
		X

TOTAL EVALUATION

Points: 175

D. POLICIES
 100 Points Possible

0-49 H	50-84 M	85-100 L
X		

TOTAL EVALUATION

Points: 30

E. PROCEDURES
 100 Points Possible

0-49 H	50-84 M	85-100 L
X		

TOTAL EVALUATION

Points: 30

1000 POINTS POSSIBLE TOTAL

SCORE

737

F. TEST TRANSACTIONS

30 Transactions Tested
 Exceptions noted (5):

Transactions (5)
 Original or certified copy of invoice not present (4)
 Supporting documentation count not be found

Contracts

None

ADJUSTMENTS FOR EXCEPTIONS:

17% occurrence rate

-50

687

MEDIUM

DATE: 06/08/2006

FROM: Rachel Castillo
 Internal Auditor II

TO: Melissa Anderson
 Chief, School Claims

DISTRICT: San Bernardino Community College District

Legend

X Applies
 H High Risk
 M Medium Risk
 L Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE

400 Points Possible

- 1 Control Environment
- 2 Risk Assessment
- 3 Control Activities
- 4 Information and Communication
- 5 Monitoring

Scoring:	POINTS	WEIGHT	TOTAL
	89%	120	107
	47%	60	28
	100%	80	80
	92%	80	74
	100%	60	60
			349

H	M	L
		X
X		
		X
		X
		X

B. RESUME SUMMARY

200 Points Possible

0-99	100-169	170-200
H	M	L
		X

TOTAL EVALUATION

Points: 180

C. ORGANIZATIONAL CHART

200 Points Possible

0-99	100-169	170-200
H	M	L
		X

TOTAL EVALUATION

Points: 180

D. POLICIES

100 Points Possible

0-49	50-84	85-100
H	M	L
		X

TOTAL EVALUATION

Points: 85

E. PROCEDURES

100 Points Possible

0-49	50-84	85-100
H	M	L
		X

TOTAL EVALUATION

Points: 85

1000 POINTS POSSIBLE TOTAL

SCORE

879

F. TEST TRANSACTIONS

**6 Transactions Tested
 Exceptions noted (1):**

Transactions (1)
 No original or certified copy of invoice present
 Contracts
 None

ADJUSTMENTS FOR EXCEPTIONS:
 17% occurrence rate

-35
 844

MEDIUM

Legend
 X Applies
 H High Risk
 M Medium Risk
 L Low Risk

DATE: 06/08/2006

DISTRICT: County Services

FROM: Rachel Castillo
 Internal Auditor II
 TO: Melissa Anderson
 Chief, School Claims

A. COSO INTERNAL CONTROL QUESTIONNAIRE

400 Points Possible

	H	M	L
1 Control Environment	X		
2 Risk Assessment			X
3 Control Activities			X
4 Information and Communication		X	
5 Monitoring			X

POINTS	WEIGHT	TOTAL
40%	120	48
100%	60	60
100%	80	80
71%	80	57
87%	60	52
		297

B. RESUME SUMMARY

200 Points Possible

	0-99 H	100-169 M	170-200 L
TOTAL EVALUATION	X		

Points: 0

C. ORGANIZATIONAL CHART

200 Points Possible

	0-99 H	100-169 M	170-200 L
TOTAL EVALUATION			X

Points: 190

D. POLICIES

100 Points Possible

	0-49 H	50-84 M	85-100 L
TOTAL EVALUATION		X	

Points: 70

E. PROCEDURES

100 Points Possible

	0-49 H	50-84 M	85-100 L
TOTAL EVALUATION		X	

Points: 70

1000 POINTS POSSIBLE TOTAL

SCORE

627

ADJUSTMENTS FOR EXCEPTIONS:

30% occurrence rate	-65
Submitted one year later	-75
	487

HIGH

F. TEST TRANSACTIONS

27 Transactions Tested
 Exceptions noted (8):

Transactions (7)
 Invoice does not agree to Contract (Invoice states
 Liberty Elem, contract states Woodcrest & amounts
 do not agree)
 Original or certified copy of invoice not present (2)
 No remaining balance on Open Purchase Order (4)

Contracts (1)

Contract not authorized by either board approval or
 authorized agent's signature

FROM: Rachel Castillo
 Internal Auditor II

TO: Melissa Anderson
 Chief, School Claims

DATE: 06/08/2006

DISTRICT: Silver Valley Unified School District

Legend

X	Applies
H	High Risk
M	Medium Risk
L	Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE 400 Points Possible	H M L				Scoring: POINTS	WEIGHT	TOTAL
	H	M	L				
1 Control Environment			X		100%	120	120
2 Risk Assessment		X			60%	60	36
3 Control Activities			X		100%	80	80
4 Information and Communication			X		100%	80	80
5 Monitoring			X		87%	60	52
							368

B. RESUME SUMMARY 200 Points Possible	0-99 H M L			Points:
	0-99 H	100-169 M	170-200 L	
TOTAL EVALUATION			X	170

C. ORGANIZATIONAL CHART 200 Points Possible	0-99 H M L			Points:
	0-99 H	100-169 M	170-200 L	
TOTAL EVALUATION			X	200

D. POLICIES 100 Points Possible	0-49 H M L			Points:
	0-49 H	50-84 M	85-100 L	
TOTAL EVALUATION			X	100

E. PROCEDURES 100 Points Possible	0-49 H M L			Points:
	0-49 H	50-84 M	85-100 L	
TOTAL EVALUATION		X		75

1000 POINTS POSSIBLE TOTAL	SCORE
	913

F. TEST TRANSACTIONS
 4 Transactions Tested
 Exceptions noted (0):

Transactions	None
Contracts	None

ADJUSTMENTS FOR EXCEPTIONS:
 0% occurrence rate

0
913

LOW

FROM: Rachel Castillo
Internal Auditor II

DATE: 06/08/2006

TO: Melissa Anderson
Chief, School Claims

DISTRICT: Snowline Joint Unified School District

Legend
X Applies
H High Risk
M Medium Risk
L Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE

400 Points Possible

- 1 Control Environment
- 2 Risk Assessment
- 3 Control Activities
- 4 Information and Communication
- 5 Monitoring

POINTS	WEIGHT	TOTAL
100%	120	120
87%	60	52
82%	80	65
83%	80	66
100%	60	60
364		

H	M	L
		X
		X
	X	
	X	
		X

B. RESUME SUMMARY

200 Points Possible

0-99	100-169	170-200
H	M	L
		X

TOTAL EVALUATION

Points: 185

C. ORGANIZATIONAL CHART

200 Points Possible

0-99	100-169	170-200
H	M	L
		X

TOTAL EVALUATION

Points: 200

D. POLICIES

100 Points Possible

0-49	50-84	85-100
H	M	L
	X	

TOTAL EVALUATION

Points: 50

E. PROCEDURES

100 Points Possible

0-49	50-84	85-100
H	M	L
X		

TOTAL EVALUATION

Points: 50

1000 POINTS POSSIBLE TOTAL

SCORE

849

F. TEST TRANSACTIONS

3 Transactions Tested
Exceptions noted (0):

Transactions
None
Contracts
None

ADJUSTMENTS FOR EXCEPTIONS:
0% occurrence rate

0

849

MEDIUM

FROM: Rachel Castillo
Internal Auditor II

DATE: 06/08/2006

TO: Melissa Anderson
Chief, School Claims

DISTRICT: Trona Joint Unified School District

Legend
X Applies
H High Risk
M Medium Risk
L Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE

400 Points Possible

- 1 Control Environment
- 2 Risk Assessment
- 3 Control Activities
- 4 Information and Communication
- 5 Monitoring

Scoring: POINTS	WEIGHT	TOTAL
76%	120	92
0%	60	0
58%	80	47
25%	80	20
38%	60	23

H	M	L
	X	
X		
	X	
X		
X		

181

B. RESUME SUMMARY

200 Points Possible

0-99	100-169	170-200
H	M	L
	X	

TOTAL EVALUATION

Points: 100

C. ORGANIZATIONAL CHART

200 Points Possible

0-99	100-169	170-200
H	M	L
X		

TOTAL EVALUATION

Points: 50

D. POLICIES

100 Points Possible

0-49	50-84	85-100
H	M	L
X		

TOTAL EVALUATION

Points: 20

E. PROCEDURES

100 Points Possible

0-49	50-84	85-100
H	M	L
	X	

TOTAL EVALUATION

Points: 80

1000 POINTS POSSIBLE TOTAL

SCORE

431

F. TEST TRANSACTIONS
1 Transaction Tested
Exceptions noted (0):

Transactions
None
Contracts
None

ADJUSTMENTS FOR EXCEPTIONS:
0% occurrence rate

0

HIGH

431

SBCO-Superintendent of Schools
 School Claims
 February 1, 2005 through January 31, 2006
 COSO Scorecard

FROM: Rachel Castillo
 Internal Auditor II

TO: Melissa Anderson
 Chief, School Claims

DATE: 06/08/2006

DISTRICT: Upland Unified School District

Legend

X Applies
 H High Risk
 M Medium Risk
 L Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE 400 Points Possible					Scoring:		
		H	M	L	POINTS	WEIGHT	TOTAL
1 Control Environment				X	100%	120	120
2 Risk Assessment		X			40%	60	24
3 Control Activities				X	100%	80	80
4 Information and Communication				X	100%	80	80
5 Monitoring				X	100%	60	60
					364		

B.	RESUME SUMMARY 200 Points Possible	0-99 H	100-169 M	170-200 L		Points:	150
TOTAL EVALUATION							
C.	ORGANIZATIONAL CHART 200 Points Possible	0-99 H	100-169 M	170-200 L		Points:	200
TOTAL EVALUATION							
D.	POLICIES 100 Points Possible	0-49 H	50-84 M	85-100 L		Points:	60
TOTAL EVALUATION							
E.	PROCEDURES 100 Points Possible	0-49 H	50-84 M	85-100 L		Points:	50
TOTAL EVALUATION							
1000 POINTS POSSIBLE TOTAL							824
SCORE							

F. TEST TRANSACTIONS
 2 Transactions Tested
 Exceptions noted (0):

Transactions
 None

Contracts
 None

ADJUSTMENTS FOR EXCEPTIONS:
 0% occurrence rate

0
 824

MEDIUM

FROM: Rachel Castillo
 Internal Auditor II
DATE: 06/08/2006
TO: Melissa Anderson
 Chief, School Claims
DISTRICT: Victor Elementary School District

Legend
 X Applies
 H High Risk
 M Medium Risk
 L Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE

400 Points Possible	H	M	L	POINTS	WEIGHT	TOTAL
1 Control Environment			X	100%	120	120
2 Risk Assessment		X		60%	60	36
3 Control Activities			X	100%	80	80
4 Information and Communication		X		82%	80	66
5 Monitoring			X	87%	60	52
						354

B. RESUME SUMMARY

200 Points Possible	0-99	100-169	170-200	POINTS
	H	M	L	
		X		150

C. ORGANIZATIONAL CHART

200 Points Possible	0-99	100-169	170-200	POINTS
	H	M	L	
			X	200

D. POLICIES

100 Points Possible	0-49	50-84	85-100	POINTS
	H	M	L	
		X		50

E. PROCEDURES

100 Points Possible	0-49	50-84	85-100	POINTS
	H	M	L	
	X			0

1000 POINTS POSSIBLE TOTAL

SCORE

754

F. TEST TRANSACTIONS
 6 Transactions Tested
 Exceptions noted (0):

Transactions None
Contracts None

ADJUSTMENTS FOR EXCEPTIONS:
 0% occurrence rate

0

MEDIUM

FROM: Rachel Castillo
 Internal Auditor II

TO: Melissa Anderson
 Chief, School Claims

DATE: 06/08/2006

DISTRICT: Victor Valley Community College District

Legend

X	Applies
H	High Risk
M	Medium Risk
L	Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE

400 Points Possible

- 1 Control Environment
- 2 Risk Assessment
- 3 Control Activities
- 4 Information and Communication
- 5 Monitoring

Scoring: POINTS	WEIGHT	TOTAL
96%	120	116
100%	60	60
100%	80	80
74%	80	57
87%	60	52

H	M	L
		X
		X
		X
	X	
		X

365

B. RESUME SUMMARY

200 Points Possible

0-99 H	100-169 M	170-200 L
		X

TOTAL EVALUATION

Points: 170

C. ORGANIZATIONAL CHART

200 Points Possible

0-99 H	100-169 M	170-200 L
		X

TOTAL EVALUATION

Points: 170

D. POLICIES

100 Points Possible

0-49 H	50-84 M	85-100 L
	X	

TOTAL EVALUATION

Points: 60

E. PROCEDURES

100 Points Possible

0-49 H	50-84 M	85-100 L
X		

TOTAL EVALUATION

Points: 30

1000 POINTS POSSIBLE TOTAL

SCORE

795

F. TEST TRANSACTIONS

7 Transactions Tested
 Exceptions noted (0):

Transactions
 None
 Contracts
 None

ADJUSTMENTS FOR EXCEPTIONS:

0% occurrence rate

0

795

MEDIUM

Legend

X Applies
 H High Risk
 M Medium Risk
 L Low Risk

DATE: 06/08/2006

DISTRICT: Victor Valley Union High School District

FROM: Rachel Castillo
 Internal Auditor II
 TO: Melissa Anderson
 Chief, School Claims

A. COSO INTERNAL CONTROL QUESTIONNAIRE

400 Points Possible

	H	M	L
1 Control Environment		X	
2 Risk Assessment	X		
3 Control Activities		X	
4 Information and Communication		X	
5 Monitoring		X	

POINTS	WEIGHT	TOTAL
75%	120	89
0%	60	0
73%	80	58
66%	80	53
72%	60	43

243

B. RESUME SUMMARY

200 Points Possible

0-99	100-169	170-200
H	M	L
	X	

TOTAL EVALUATION

Points: 169

C. ORGANIZATIONAL CHART

200 Points Possible

0-99	100-169	170-200
H	M	L
X		

TOTAL EVALUATION

Points: 80

D. POLICIES

100 Points Possible

0-49	50-84	85-100
H	M	L
		X

TOTAL EVALUATION

Points: 90

E. PROCEDURES

100 Points Possible

0-49	50-84	85-100
H	M	L
	X	

TOTAL EVALUATION

Points: 84

1000 POINTS POSSIBLE TOTAL

SCORE

666

F. TEST TRANSACTIONS

12 Transactions Tested

Exceptions noted (5):

Transactions (2)
 Original or certified copy of invoice not present (2)

Contracts (3)

Change Order elements missing
 No schedule of bids received
 No board action accepting lowest responsible bidder

ADJUSTMENTS FOR EXCEPTIONS:

42% occurrence rate

-85

581

MEDIUM

DATE: 06/08/2006

FROM: Rachel Castillo
 Internal Auditor II

TO: Melissa Anderson
 Chief, School Claims

DISTRICT: Yucaipa-Calimesa Joint Unified School Distr

Legend
 X Applies
 H High Risk
 M Medium Risk
 L Low Risk

A. COSO INTERNAL CONTROL QUESTIONNAIRE

400 Points Possible

- 1 Control Environment
- 2 Risk Assessment
- 3 Control Activities
- 4 Information and Communication
- 5 Monitoring

	H	M	L	POINTS	WEIGHT	TOTAL
100%			X	100%	120	120
100%			X	100%	60	60
100%			X	100%	80	80
97%			X	97%	80	78
71%		X		71%	60	42
						380

B. RESUME SUMMARY

200 Points Possible

	0-99	100-169	170-200
H			
M		X	
L			

TOTAL EVALUATION

Points: 150

C. ORGANIZATIONAL CHART

200 Points Possible

	0-99	100-169	170-200
H			
M			
L			X

TOTAL EVALUATION

Points: 195

D. POLICIES

100 Points Possible

	0-49	50-84	85-100
H			
M			
L			X

TOTAL EVALUATION

Points: 85

E. PROCEDURES

100 Points Possible

	0-49	50-84	85-100
H			
M			
L			X

TOTAL EVALUATION

Points: 85

1000 POINTS POSSIBLE TOTAL

SCORE

LOW

895

F. TEST TRANSACTIONS

5 Transactions Tested
 Exceptions noted (1):

Transactions (1)

No receiving documentation present

Contracts

None

ADJUSTMENTS FOR EXCEPTIONS:

20% occurrence rate

-35

860

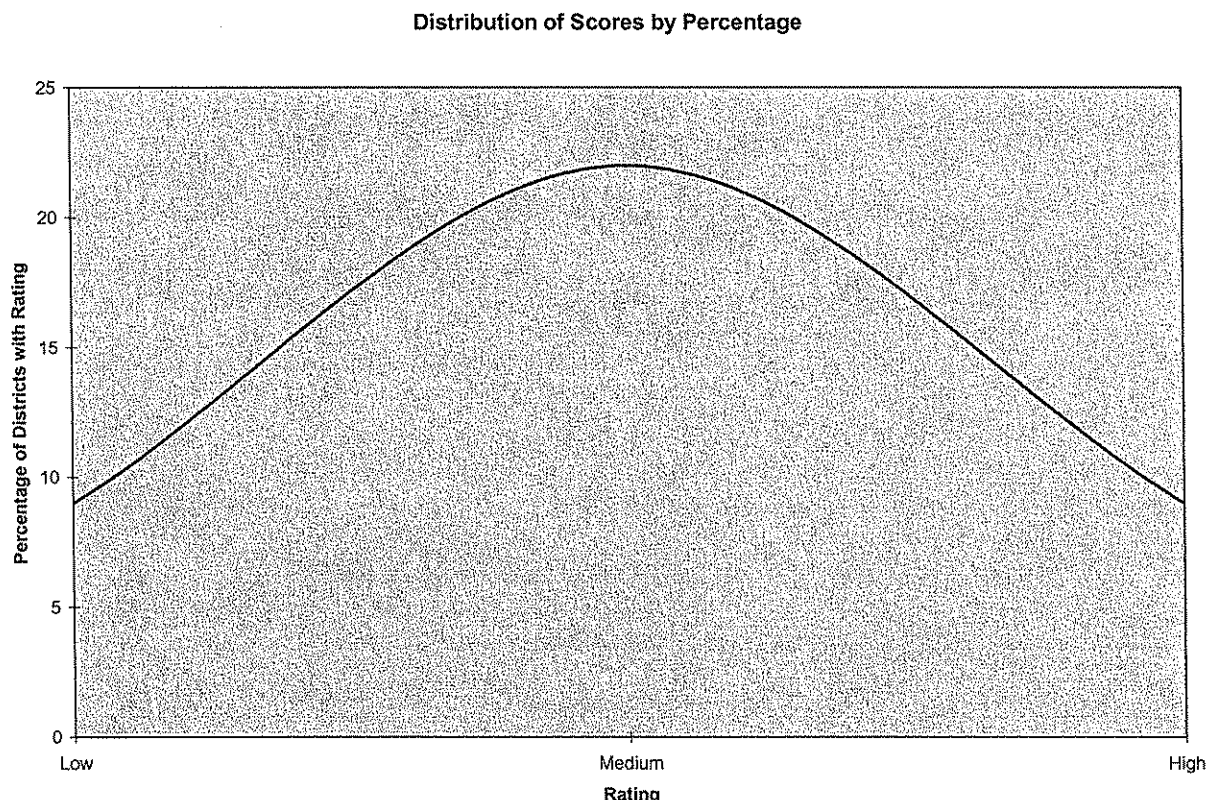
LOW

ANALYSIS OF OBSERVATIONS

Based upon the assessment of the internal controls at each district, the risk rating for each district has been calculated as follows:

SCHOOL DISTRICT	SCORE: POINTS	RATING
Silver Valley Unified School District	913	LOW
Rialto Unified School District	905	LOW
Cucamonga School District	893	LOW
Etiwanda School District	887	LOW
Redlands Unified School District	881	LOW
Barstow Community College District	862	LOW
Adelanto School District	862	LOW
Yucaipa-Calimesa Joint USD	860	LOW
Morongo Unified School District	859	LOW
Snowline Joint Unified School District	849	MEDIUM
San Bernardino Community College District	844	MEDIUM
Upland Unified School District	824	MEDIUM
Bear Valley Unified School District	821	MEDIUM
Rim of the World Unified School District	818	MEDIUM
Colton-Redlands-Yucaipa ROP	809	MEDIUM
Hesperia Unified School District	808	MEDIUM
Apple Valley Unified School District	805	MEDIUM
Victor Valley Community College District	795	MEDIUM
Alta Loma School District	784	MEDIUM
Chino Valley Unified School District	779	MEDIUM
Barstow Unified School District	777	MEDIUM
Victor Elementary School District	754	MEDIUM
Baldy View ROP	747	MEDIUM
Helendale School District	735	MEDIUM
Chaffey Joint Union High School District	725	MEDIUM
Ontario-Montclair School District	712	MEDIUM
Copper Mountain Community College District	695	MEDIUM
San Bernardino City Unified School District	687	MEDIUM
Colton Joint Unified School District	621	MEDIUM
Victor Valley Union High School District	581	MEDIUM
Central School District	568	MEDIUM
San Bernardino County Services	487	HIGH
Baker Valley Unified School District	485	HIGH
Mt. Baldy Joint School District	472	HIGH
Needles Unified School District	462	HIGH
Trona Joint Unified School District	431	HIGH
Fontana Unified School District	415	HIGH
Lucerne Valley Unified School District	383	HIGH
Oro Grande School District	365	HIGH
Mountain View School District	0	HIGH

There appears to be a normal distribution of the ratings among the 40 districts assessed:



It appears that there is an overall medium level of risk among the districts, so there should be a medium degree of reliance placed upon the controls in place at the individual districts. This also indicates that moderate testing of controls, or payment auditing, should be in place.

The adjustments to the audit profiles, or audit selection confidence factors, for the districts should begin with those districts with the lowest scores (highest risk). Since the following districts are operating at a high level of risk, it is most important that the auditing of their payments must be increased (or kept at 100% as is the case with Mountain View School District) in order to most effectively reduce overall risk:

Mountain View School District
Oro Grande School District
Lucerne Valley Unified School District
Fontana Unified School District
Trona Joint Unified School District
Mt. Baldy Joint School District
Needles Unified School District
Baker Valley Unified School District
San Bernardino County Services

Information noted in the COSO framework-based scorecards on pages 18-57 can be used in determining which areas to increase testing in. In order to improve the effectiveness of School Claims' auditing process, it is recommended that the confidence factors in the audit selection process be adjusted to reflect the High and Low risk ratings noted in the COSO scores. The district level internal controls cannot be heavily relied on; therefore, a higher degree of reliance must be placed on the mitigating controls provided by School Claims' payment auditing process.